

A SINGLE PERSON CAN MAKE A WORLD OF DIFFERENCE



Concise Sustainability Report 2006
Insurance Australia Group Limited
ABN 60 090 739 923

This report has been developed based on the Global Reporting Initiative (GRI) 2002 Guidelines for Sustainability Reporting. These guidelines are the internationally accepted best practice measurement system for social, environmental and economic reporting. The report includes issues of materiality and relevance as identified by our stakeholders.

Our approach to the report continues to evolve, and we welcome additional feedback and suggestions on how the Group can improve its reporting (sustainability@iag.com.au).

In response to feedback from our stakeholders, we have only printed a limited number of this concise report. The full report can be found on IAG's website, www.iag.com.au

CONTENTS

02
CHAIRMAN AND
CEO REPORT

06
IAG AT A GLANCE
WHO WE ARE

08
SUSTAINABLE
OPERATIONS

10
VIRTUOUS
CYCLE

11
EXPERT COMMUNITY
ADVISORY COMMITTEE -
COMMENTARY

12
KEY
INDICATORS

14
CASE
STUDIES

19
ASSURANCE
STATEMENT

STAYING TRUE TO OUR PURPOSE

THE QUICK READ:

Delivering on our purpose will help drive long-term, sustainable value. We have made noteworthy advances in the four areas of our purpose: paying claims, understanding and pricing risk, managing costs and reducing risk.

WHAT WE'VE ACHIEVED

2006 HIGHLIGHTS

CONCISE SUSTAINABILITY REPORT 2006

Significant achievements in 2005/06

Paying Claims

- We paid out over \$4 billion in claims over the past 12 months, which equates to \$12 million a day in Australia and New Zealand.
- We were the first insurance company on the ground in North Queensland after Cyclone Larry, and we are still there. We paid out millions of dollars to the worst affected customers within the first week.
- Customer satisfaction in our direct personal insurance businesses remains strong: 80% in Australia and 88% in New Zealand.
- CGU Workers' Compensation achieved a strong rating for injured worker satisfaction in Victoria, with over 71% of injured workers satisfied with the service received.

Understanding and Pricing Risk

- Our commercial business in New Zealand, NZI, was awarded 'Underwriter of the Year', judged against criteria such as claims efficiency, range, and quality of service and client relationships.
- The average car comprehensive premium in NSW equated to 50% of one week's earnings (based on published NSW average weekly earnings) at February 2006 compared with an average of 60% over the past seven years.
- We were a founding member of the Australian Business Roundtable on Climate Change, highlighting the scientific and economic issues of climate change for businesses.

Managing Costs

- We provided quality and cost effective goods and services through our preferred supplier networks with builders, motor repairers, jewellers, carpet suppliers and electricians.
- We reduced our CO₂ emissions by 6% in Australia and New Zealand in 2005/06.
- In New Zealand we reduced our office paper consumption by 14% and in Australia by 16% in 2005/06.

Reducing Risk

- We introduced the Climate Help product, which allows our customers to offset their annual car emissions.
- Three thousand of our customers have registered for the Risk Radar for farms, which helps farmers make their properties safer and more environmentally sound.
- We have reduced our lost time injury frequency rate by 27% in Australia since 2004.
- We released reports that help our customers understand and reduce their own risk in the home and on the road.

Welcome to IAG's third sustainability report, which provides information on IAG's social, environmental and economic performance from 1 July 2005 to 30 June 2006 (unless otherwise stated). The report provides performance data on our Australian and New Zealand businesses, and for the first time also includes case studies from our Asian operations. It is the companion document to IAG's Annual Report (see www.iag.com.au for more details). Our New Zealand operations will also be releasing a site-specific sustainability report later in the year.

This report details how IAG's day-to-day operations and approach to business help drive long-term, sustainable value. At IAG, being a sustainable business means being a successful business over the long-term. Sustainability is not a program or a corporate initiative. It is at the core of everything we do.

Our purpose and values are described in detail in this report as they inform and underpin our sustainable business performance. Our purpose was formed in response to one question: what do we need to do to ensure we are around in the future? Those four things are paying claims, understanding and pricing risk, managing costs and reducing risk.

Our purpose is our fundamental reason for being. It guides and inspires all our actions, and reminds us we need to think about more than the short term imperative of making a profit. This report offers a one-year perspective on how we are progressing towards fulfilling our purpose. We recognise that it is something we will continue to strive for, and it will influence how we operate and respond to shifting economic and cultural landscapes in the future.

The key to becoming and remaining a sustainable business is serving the interests of our customers, our employees, our suppliers, the communities we work within, and our shareholders. This report details how we balance these stakeholder interests and incorporate them into our operations.

This year the report is focused on our employees. Our employees play a critical role in ensuring we are a sustainable business. We know through our annual employee survey that, if our employees are engaged, they will go above and beyond to help our customers, participate in helping reduce risk in the organisation and the wider community, and drive innovation and efficiency.

CHAIRMAN AND CEO REPORT

INSURING THE FUTURE

FOR AN INSURANCE COMPANY, THE FUTURE IS EVEN MORE IMPORTANT THAN THE PRESENT. WE PRICE OUR PRODUCTS BEFORE WE KNOW THEIR FINAL COST. OUR LONG-TERM VIABILITY DEPENDS ON OUR ABILITY TO CALCULATE RISK BASED ON WHAT WE BELIEVE WILL HAPPEN NOT NOW, BUT DAYS, MONTHS, EVEN YEARS FROM NOW. LONG-TERM THINKING IS CRITICAL TO OUR SUCCESS.



As Australasia's leading general insurance group, insuring more than \$900 billion of property assets, we have a responsibility to be around for the long term. Only then can we continue to pay our customers' claims, ensure insurance is affordable and accessible, and deliver returns to our shareholders.

For this reason, our view of sustainability is that it is not in addition, or peripheral, to the way we do business. It is fundamental to it.

Being sustainable is about being a well managed company. Our purpose and values are at the core of who we are, how we operate and build relationships. It is the quality of these relationships that will distinguish us over the long term.

We will be a sustainable business by engaging our employees, satisfying our customers, intermediaries and business partners; supporting our communities; and working effectively with our suppliers and other stakeholders. In turn, managing our business in this way will drive long-term value for our shareholders.

In this report we focus on how our employees contribute to IAG being a sustainable organisation. In Australia and New Zealand, we pay out more than \$12 million in claims on average every day. That is a truly overwhelming figure when you think about what it represents: thousands of people experiencing some kind of traumatic event or loss every day. In their time of need, our customers turn to us.

A single person can and often does make a world of difference. And when these people come together to help as a team, the effect is even more powerful. We were acutely reminded of this when Cyclone Larry hit northern Queensland in March this year.

Our assessors dealt with over \$165 million in claims in Cyclone Larry's aftermath. We are still there, helping the people of Innisfail rebuild. We are tremendously proud of how our employees responded, but not surprised. We were there for our customers during the Sydney hailstorms back in 1999 and there for them when the Canberra bushfires hit in 2003. Helping people is what we do.

For our employees to continue in this tradition, we need to provide them with a great workplace. We need to be a company that people want to work for every single day. It's encouraging to see that, via our annual employee survey, 76% of our people say they value IAG's focus on balancing our social, environmental and financial responsibilities. That gives us a lot to build on.

In 2005/06 we saw a lift in engagement of our employees of two percentage points to 56% in Australia, and four percentage points to 54% in New Zealand. Overall, our Australian employees' engagement with the company has increased by 11 percentage points since we started measuring it in 2003. This year the improvement can be partly attributed to lifts in the extent to which employees are able to appropriately influence what happens within their team (21% increase); employees' perceptions of how managers support our people practices (19% increase); perceptions of how IAG considers the personal wellbeing of employees when making decisions (nine percent increase); and the extent to which IAG's purpose resonates with our employees (six percent increase).

But we can do better. Our employee turnover in Australia is 20.6% – higher than we'd like it to be. This is something we must and will improve, particularly in light of shrinking domestic and New Zealand labour forces. We are already providing pathways for women who are entering the workplace after having a family, and are looking to attract older workers by offering flexible options.

We also need to get better at building our leadership capability, particularly in relation to supporting our people through major change, and providing opportunities for input and involvement. And we need to get better at integrating our values, our purpose, and all the ways in which we support and develop our employees so that these things become part of their everyday experience at IAG.

In 2006/07, we look forward to including more information on how our people in Asia feel about working at IAG.

CHAIRMAN AND CEO REPORT CONT'D

RISK AND OPPORTUNITIES

By the very nature of our industry, we think a lot about risk. We assess it. We predict it. We price it. And of course we manage it. But we see a bigger role for IAG. If we can reduce the risk that negatively impacts on our customers and our communities, we can also reduce the risk to our business. We feel so strongly about this that we have enshrined it in our purpose.

Engaging with the community to proactively reduce risk is a simple notion. Yet it challenges the long-held view that the role of an insurance company is simply to pay claims once an accident has occurred. The case studies contained in this and the full, online report showcase many of the ways in which we can use our expertise to benefit the broader community. By sharing what we know about risk and doing what we can to reduce it, we can make our communities safer places.

By making our roads safer, our workplaces safer, our homes safer, our communities safer, our customers experience fewer pitfalls, our claims costs decline, and we can make insurance more affordable. As a matter of course we reward customers who minimise their risks by offering reduced premiums.

In addition, by being aware of the risks we all face, we can mitigate future risk and identify potential opportunities. We researched the issues that will have significant short and long-term impacts on the way we do business and emerged with four key themes: changing demographics, climate change, trust and credibility, and sustainable growth.

By responding to these risks now, we will deliver value to our stakeholders in the future.

CHANGING DEMOGRAPHICS

The demographic shifts in the global population pose many challenges for business.

Ageing is, and will continue to be, one of the fundamental demographic changes affecting communities globally. Not only do we need to think about how we can tailor our products and services to suit the ever-increasing number of ageing customers, but we need to ensure we employ people who can understand their needs.

In fact, we want to create a workforce that mirrors the demographics of the community and our customers. And, equally importantly, in the face of a shrinking labour market, we need to find ways of retaining and attracting talented workers of all ages.

IAG's Age Management Program helps us access a wider pool of talent. Part and parcel of managing older workers is recognising they have different needs compared to younger workers. We must and do provide flexible working options so they can manage their priorities. This imperative is boosted by the numbers of women returning to the workforce after childbirth, and the fact that more men are opting to share parental responsibilities. Encouragingly, we have more employees working part time than ever before.

It is also encouraging to see that our programs to support and develop high performing women are not only reaping positive results, but are being recognised externally. For the second year in a row, IAG was awarded Employer of Choice for Women status from the Equal Opportunity for Women in the Workplace Agency (EOWA).

CLIMATE CHANGE

Weather is core business at IAG, and it's changing. The likelihood of increasingly severe storms is well established in the scientific community. Our people have first-hand experience of the fall-out of these events, helping our customers and managing their claims during these traumatic times.

We believe it's possible to reduce the impact of climate change, and therefore extreme weather events. We are a leading advocate for taking action now, and are a founding member of the Australian Business Roundtable on Climate Change. The Roundtable suggests that, if the right steps are taken, Australia can achieve a 60% reduction in greenhouse gas emissions from year 2000 levels by 2050 while maintaining strong economic growth. To this end, the Roundtable recommends that business and governments work together to frame and implement policies on three fronts:

- design a "long, loud and legal" framework to establish a carbon price signal;
- encourage innovation and investment in emerging and breakthrough technologies; and
- build national resilience to the impacts of climate change.

As more and more prospective IAG employees ask about our environmental position, we are proud to be able to tell them of our strong stance on climate change, the research we conduct to support this stance, the work we are doing to minimise the impacts of changes in the weather, and our role in helping our customers to adapt to the new weather impacts.

This year we developed Climate Help, an Australian industry-first online product that allows people to reduce their own impact on the environment by offsetting the carbon emissions from the vehicles they drive.

Our Risk Radar products for farm and office add to the suite of products that helps our commercial customers manage their health, safety and environmental risks.

In addition, we have made some good progress in reducing our own environmental footprint. As reflected in "Key Indicators", we are tracking well in reducing our environmental impacts.

2004 Publish first Sustainability Report	2004 Commence membership in World Business Council for Sustainable Development	2004 Form Board Committee for Sustainability	2004 Launch of Risk Radar for Smash Repairers	2005 Awarded Best First Time Reporter by Association of Certified Chartered Accountants (ACCA)	2005 Release second Sustainability Report	2005 Launch first New Zealand Sustainability Report	2005 Aussi Index Listing, SAM Portfolio Leaders Index, FTSE4 Good listing	2005 Win UN Triple Bottom Line Award	2006 New Zealand Report wins ACCA award	2006 Win Davos Global Top 100 in Sustainability award
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BEING A SUSTAINABLE BUSINESS AND EARNING THE TRUST OF THE COMMUNITIES IN WHICH WE OPERATE GO HAND IN HAND.

TRUST AND CREDIBILITY

Being a sustainable business and earning the trust of the communities in which we operate go hand in hand. To this end, considering the needs of those groups of people who impact on us, and are impacted by the decisions we make, influences everything we do.

This is typified by our decision to retain the Care & Repair system for car repairs in metropolitan NSW. Care & Repair is a web-based motor repair management system that we have been operating successfully in other Australian states for some years. A number of smash repairers, who faced increased competition as a result of the new customer system, campaigned against it.

The experience has taught us a lot about how our decision to introduce a new way of working impacts on an industry that relies on us – particularly an industry that is undergoing major changes due to the fact that fewer cars need repairing because of drier weather and better quality vehicles.

We listened to our stakeholders and have changed our approach to choice of repairer as a result. We are well on track to improving the way we work with our smash repair industry partners so we can move forward positively.

We also recognise the importance of having an outside perspective on the issues that matter most to our customers and the broader community. To this end, we have established an Expert Community Advisory Committee, which will be an ongoing source of feedback on issues and opportunities from people outside the company. The Committee has provided us with an independent commentary on this report (page 11). More information on the Committee members can be found in the full, online report.

SUSTAINABLE GROWTH

Through our disciplined approach to underwriting, introduction of initiatives to improve our customer service, and our strategy to achieve scale and diversification, we have maintained strong margins despite intense competition in the Australian and New Zealand insurance markets.

The work we do to engage our employees directly relates to our performance. The more engaged with the business our employees are, the more productive, efficient and innovative they will be. This in turn helps us drive great customer experiences, which in turn positively impacts on the profitability of the company and our ability to keep insurance affordable.

The price of motor insurance is a case in point. As at February 2006, the average car comprehensive premium in NSW equated to 50% of one week's earnings (based on published NSW average weekly earnings) compared with an average of 60% over the past seven years.

With a goal of delivering top quartile shareholder return over the long term, our strategy has been to build an international portfolio of insurance assets – with an initial focus on Asia – so that we can retain an efficient and competitive cost of capital.

This year we invested in insurance businesses in Thailand and Malaysia, and signed a memorandum of understanding to acquire a 24.9% investment in China's second largest general insurer, China Pacific Property Insurance Company. We fundamentally believe that this investment in China will be a cornerstone of our future due to the projected future growth of the Chinese insurance market.

These investments are part of our plan to build a very strong position in the world's fastest growing insurance markets.

The growth of our business internationally precipitates careful consideration of the social, economic and environmental impacts of our offshore businesses. We are currently working on a Code of Ethical Business Conduct that will help define how we operate in other parts of the world. This Code will clearly articulate our principles for acceptable behaviour, irrespective of where we do business. The Code will be released in the coming year.

IN SUMMARY

Overall, the past year has been very successful for IAG. We are pleased that our efforts have been recognised with a number of awards, including "General Insurance Company of the Year" from the Australian and New Zealand Institute of Insurance and Finance; and inclusion in the Global Top 100 Most Sustainable Corporations in the World by Corporate Knights and Innovest Strategic Advisors.

We're improving our performance all the time, seeking to ensure high ethical standards of behaviour while delivering great products and services to our customers, a great workplace for our employees and solid returns to our shareholders.

It is gratifying to be acknowledged as a leader in sustainability, especially as we have set very high standards for ourselves. We are pleased with our progress to date, and we are invigorated by the work we have ahead of us.



James Strong
Chairman



Mike Hawker
Chief Executive Officer

IAG AT A GLANCE

WHO WE ARE

- › IAG is the leading general insurance group in Australia and New Zealand, and has a growing presence in Asia. The Group generates annual gross written premium of more than \$6.4 billion.
- › The Group insures more than \$900 billion worth of property. In Australia, it insures more than five million cars, two million homes, 250,000 businesses and 75,000 farms, and provides workers' compensation services to more than 200,000 employers. In New Zealand, it insures around 950,000 cars, 575,000 homes, 185,000 businesses and 235,000 rural risks.
- › IAG distributes its products through some of the leading brands in Australia and New Zealand: CGU nationally; NRMA Insurance in NSW, QLD, ACT and TAS; SGIC in SA; SGIO in WA; RACV in VIC; and State and NZI in New Zealand. We also have interests in China, Malaysia, Singapore and Thailand represented by China Automobile Association (CAA), AmAssurance, Alba, NZI Thailand and Safety Insurance.
- › Customers are served in Australia through a network of 320 branches, franchises and country service centres throughout metropolitan, regional and rural areas, as well as more than 1,000 intermediaries (brokers and authorised representatives), and in New Zealand, through more than 40 sales centres, branches and district offices.
- › More than 12,000 people are employed across the Group.

Awards and Commendations

- Winner General Insurance Company of the Year, Australian and New Zealand Institute of Insurance and Finance
- Awarded Employer of Choice for Women status from the Equal Opportunity for Women in the Workplace Agency (EOWA)
- Winner Leader and CEO of the Year at the Human Capital Leadership Awards
- Winner Best Company in the Corporate Governance category at the Australian Ethical Investor Awards
- Winner Lincolne Scott Triple Bottom Line Award at the UN Awards
- Winner WA State Award for service excellence in the category of Contact Centre
- Australian Institute of Training Development Award for eLearning Achievement
- Advertising Awards: 2005 ADMA (Australian Direct Marketing Association Awards); 2005 AWARD (Australasian Writers and Art Directors Association); 2005 CAPLES AWARDS (The John Caples International Awards); 2005 Asia Pacific Advertising Festival
- Victorian WorkCover Authority Inaugural Agent Awards: Bursary Award to Narelle Dawson; Most Outstanding Contribution by a Team to the Claims Administration team; Most Outstanding Contribution by an Individual to Angela Barra
- The Association of Chartered Certified Accountants (ACCA) Australia and New Zealand Awards for Sustainability Reporting 2005 Commendation for Achievements in Sustainability Reporting for the NZ Sustainability Report
- Underwriter of the Year award as voted by members of New Zealand insurance broker organisations through the Insurance Brokers Association of New Zealand (IBANZ)

Further Recognition

- Listed in the 2006 Global Top 100 Most Sustainable Corporations in the World by Corporate Knights and Innovest Strategic Advisors
- National Emergency Management Australia Safer Communities Award at the St John Australia National Awards
- Sustainability Index (AuSSI)
- Silver ranking in the Corporate Responsibility Index
- Listed on FTSE4 Good Index Series

**THE GROUP
INSURES MORE THAN
\$900
BILLION
WORTH OF PROPERTY
IN AUSTRALIA**

SUSTAINABLE OPERATIONS

FOR FULL DETAILS OF ALL INDICATORS AND PERFORMANCE
PLEASE SEE OUR FULL REPORT ONLINE AT WWW.IAG.COM.AU

POLICIES AND GOVERNANCE

Governance for ensuring the sustainability of our business is held at the highest level of our organisation – the Board. The role of IAG's Board Committee on Nomination, Remuneration and Sustainability – which is chaired by the Chairman of the Board – is to ensure that management considers corporate responsibility and sustainability issues, that the Group's reputation is protected, and that healthy shareholder returns are provided. The diagram on page nine details our governance structure from the Board level down.

As can be seen from the diagram on page nine, each Executive has responsibilities to ensure that safety, environmental and community issues are considered, resourced and managed throughout their operations and for the benefit of our employees and customers.

Our numerous governance frameworks are represented in a series of Group-wide policies and commitments. These are available on www.iag.com.au, and include IAG's Commitment to Sustainability and the Environment; the Charter for Health, Safety & Security; the Code of Conduct; and the Continuous Disclosure and Insider Trading Policy.

The policies are supported by initiatives such as our workplace health and safety program, which has led to a 27% improvement in our Australian employees' lost time injury frequency rate over the past two years. This year we were also recognised by the Ethical Investor Awards for introducing the ActionLine, which allows employees to report severe incidents of inappropriate activity and/or where an issue has been reported but no action taken.

We fundamentally believe that a company's governance is only as strong as the culture that underpins it. Our values of honesty, transparency, teamwork, meritocracy and social responsibility shape our behaviour and decisions. Consistent and ethical behaviour – framed by our values – is what determines the quality of our relationships with our stakeholders and, ultimately, long-term business success.

Our managers are expected to lead by example, and develop appropriate business unit and individual targets and goals. They – and anyone else in the organisation – are also able to reward exemplary behaviour through our RewardHelp program. The program recognises excellence in customer service, leadership, sustainability and innovation, and each year an awards ceremony celebrates the best of the best. In 2005/06, over 26,000 nominations for outstanding behaviour were received through this employee program.

Further incentives include remuneration bonuses tied to achieving specific sustainability targets, which differ by division. In the future, our leaders will have components of their remuneration determined by how well they manage in accordance with our values.

We are aware that leadership of this kind is more complex and demanding, so our focus has been on helping our employees manage and monitor their performance across environmental, social and economic dimensions. In 2005/06, we introduced reporting of our environmental impacts at a cost centre level. This allows all managers to account for and improve environmental performance, and track the financial benefits of doing so.

As we continue to grow our business, we need to ensure we communicate consistent expectations about ethical behaviour to all our employees. To this end, we will release our Code of Ethical Business Conduct in 2006/07. The Code will detail the fundamental principles applicable across all parts of the business, regardless of the country of operation. Underpinning the Code will be a compliance framework that assists us in meeting our obligations.

Our commitment to driving sustainable outcomes extends beyond our own operations to our suppliers. Our supplier guidelines and reporting procedures assess our key suppliers on criteria including quality, commitment, pricing, implementation, sustainability and technology.

PERFORMANCE AND TARGETS

The performance snapshot on page 12-13 of this report details our progress against targets in the economic, social and environmental dimensions of our business. As can be seen from these results, we have performed solidly across the economic and environmental domains. The continuing strong financial performance of the Group is testament to our successful strategy, and our improvement in the environmental domain is the result of our employees' diligence in this arena.

The social performance of the Group is not consistently positive and requires more work in 2006/07. Employee turnover remains a challenge, and closer analysis of our employee survey demonstrates that there are a number of key areas in which we can improve. These include providing career development and opportunities for our people, improving our leadership capability as well as ensuring performance is managed consistently and in line with our values.

And we will continue to consult with our employees on the issues that matter most to them. While there has been an increase in employees' satisfaction with their ability to influence what happens within their own team, there are pockets within the organisation who would like more input into and involvement in major change events in particular. This issue is being addressed directly in the relevant areas. We will endeavour to find new ways to involve employees and new avenues for providing input into how we build a better workplace.

We will also continue to work with our employees on improving the customer experience – after all, they hold the key to building good relationships with our customers and delivering on our promise. In addition, the Executive team has set collective goals to improve customer satisfaction and to help all our employees deliver exemplary service to our customers – both before and after a claim.

For example, in our new Business Partners division, workers' compensation teams have undertaken extensive workshops with employers, injured workers and members of the medical profession. This experience helps them better understand the challenges that our customers and claimants face, and learn how to go above and beyond the claim to deliver empathic solutions. It may seem simple, but this is a new approach for an insurance company and we are already seeing the results.

DEFINITION:

Sustainability is an overused and often confusing term. Like “success”, it can mean many things to many people. At IAG, “sustainability” is about bringing the future into today’s decision making for the benefit of our business, customers and communities. Sustainability is not an add-on, or a program that is run alongside our operations. Instead, we see it as an outcome. We will be a sustainable business by managing all the dimensions – economic, social and environmental – of our business well. In some ways this is a more complex definition than most, as it encompasses everything we do. However, given we are in the business of insurance, focusing on the outcome is essential. Being a sustainable business is not just good for us, but – since we provide an essential community product – it is good for the communities in which we operate, as well as future generations.

Performance targets are set every year as part of our planning process. In 2005 it was determined that the target setting process for our environmental performance was not sufficiently robust, and that a one-size-fits-all approach wasn’t effective.

Given IAG comprises a series of very different operations with different growth imperatives, it was determined that divisional environmental targets were more appropriate. This is consistent with our approach to determining social and economic targets, which are also identified at a divisional level. This allows for divisional differences to be accommodated, and for areas of greatest impact and influence to be identified accordingly. For example, our Chief Financial Office division uses relatively little electricity; however, electricity usage remains one of their targets as they control building management – a key influence factor for reducing electricity usage.

All divisional targets have been rolled up to an overall corporate target of CO₂ usage per full-time equivalent. This is considered the most accurate environmental indicator as it encompasses all our environmental impacts. It also reflects the importance we place on reducing the impact of climate change.

In 2006/07 we are aiming for a three percent reduction in CO₂ per full-time equivalent based on 2005/06 levels.

FUTURE GOALS

Our Expert Community Advisory Committee and other stakeholders have told us that our sustainability report needs to be more future-focused. Accordingly, running along the bottom of the Chairman and CEO Report is a timeline that details where we’re headed.

We aspire to be a top performer in the international general insurance industry. To do this we will seek to double the company’s size over the next five years and increase the premium we generate offshore. Increasing the company’s size is important to ensure relevance and complete capital efficiency as the industry continues to consolidate. Because we are a risk company based in mature markets, organic growth alone will not fulfill these goals. We expect to continue to undertake acquisitions, primarily offshore.

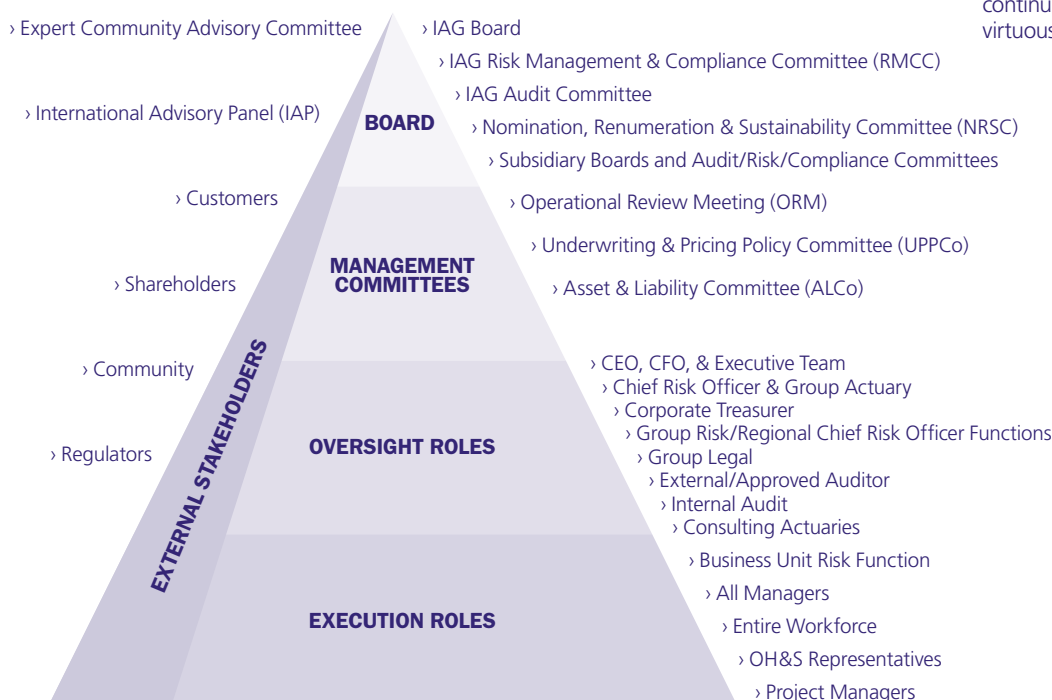
We are also working to ensure the customer is at the centre of our business. We have a diverse range of customers who are becoming increasingly sophisticated and knowledgeable about insurance. To maintain our leading position, we must be single mindedly focused on our customers. This is reflected in our initiatives to understand what motivates our customers to buy, what will build loyalty, how customers want to interact with us and how we can best segment and service our customer base to maintain loyalty.

In addition – particularly as we grow our global presence – we aim to have a robust culture in place, fully aligned to our purpose and values. We must continue to build an engaged and productive workforce, and develop capabilities that will position us for leadership in the future. Offering flexible work practices and fostering diversity are key components in realising this strategy. Diversity has the added benefit of contributing to a workforce that mirrors the demographics of our customer base. Enabling our leadership and more explicitly embedding our values will also be key.

We aim to better translate our understanding of the risk of climate change into business strategy that will maximise long term value. We will do this through public advocacy; pursuing business opportunities that arise from increased understanding of weather and climate; enhancing management of supply chains to reduce CO₂ emissions; and improving our own environmental performance.

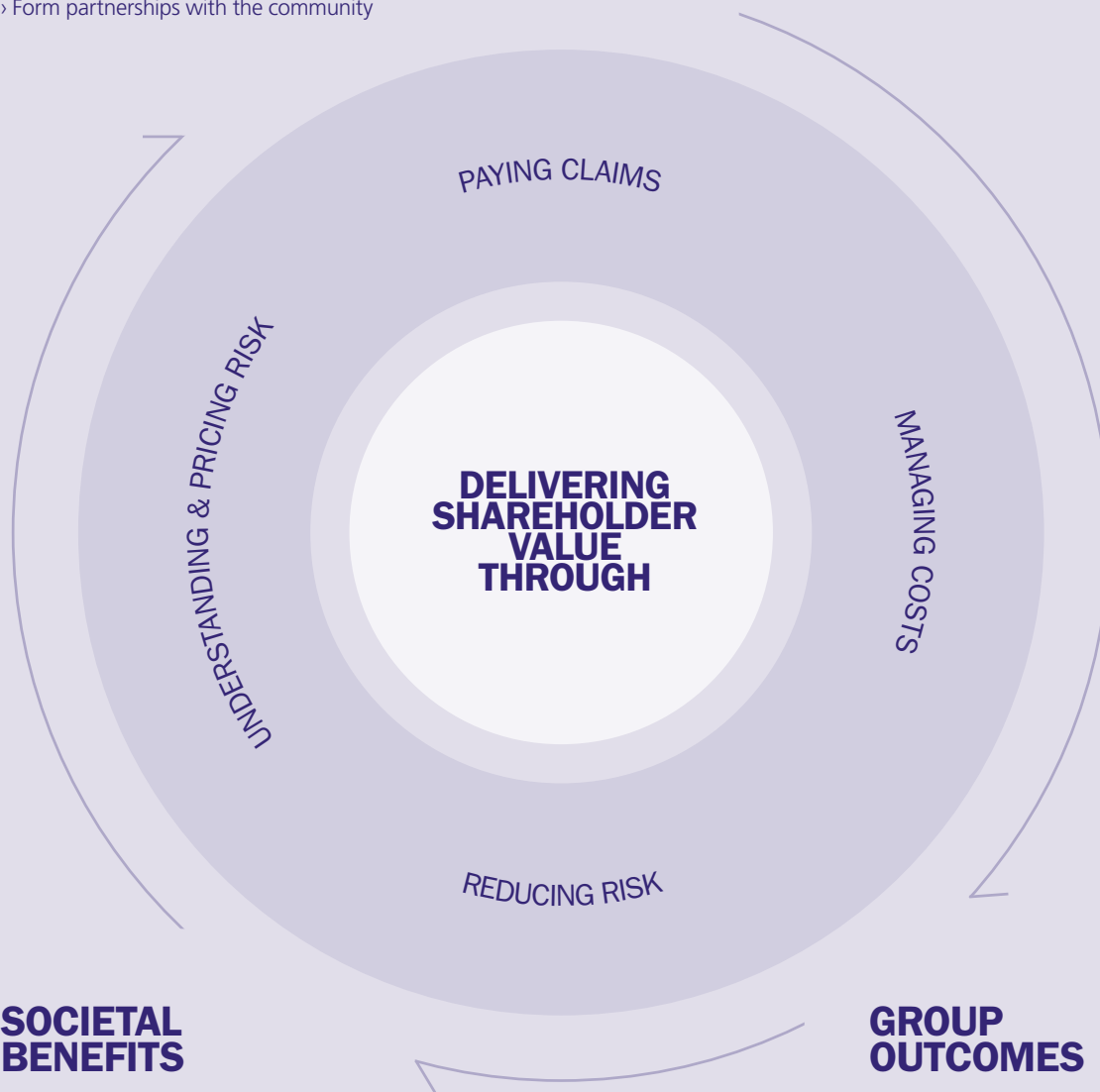
The Sustainability Compact signed with the NSW Department of Environment and Conservation (DEC) is one of the ways in which we hope to deliver on this last aim in Australia. DEC and IAG will be pooling resources and expertise to further improve the environmental performance of our operations, supply chain and facilities. For more details on the Compact see www.iag.com.au.

If we run our operations with a view to being a sustainable business, a series of flow-on benefits emerge for our customers, employees, shareholders and the broader community. These benefits in turn ensure IAG is sustainable and can continue to provide value to stakeholders. This virtuous cycle is illustrated on the following page.



WHAT WE DO

- › Integrate long-term considerations into our products and services
- › Deliver great service beyond the claim
- › Research and promote home, road, and workplace safety
- › Manage according to our values
- › Develop and reward our people
- › Implement safety, work/life balance and diversity initiatives
- › Manage our environmental impacts and advocate on climate change
- › Engage with stakeholders
- › Manage and identify risks
- › Form partnerships with the community



SOCIETAL BENEFITS

- › Affordable and accessible insurance
- › Safer communities
- › Reduced risk in the home, on the road and in the workplace
- › Research and prevention
- › Employment
- › Underinsurance minimised
- › Environmental health
- › Supplier sustainability
- › Shareholder value
- › Contribute to improved work/life balance
- › Help parents return to work
- › Help older workers re-enter the workforce
- › Better health outcomes for injured workers

GROUP OUTCOMES

- › Employee engagement, attraction and retention
- › Higher productivity
- › Customer loyalty
- › Product innovation
- › Access to capital
- › Reduced costs
- › Better knowledge of future risks
- › Community trust and improved reputation
- › Supplier satisfaction
- › Improved ability to price risk

EXPERT COMMUNITY ADVISORY COMMITTEE - COMMENTARY

We are pleased to include the independent commentary from IAG's newly formed Expert Community Advisory Committee in this year's report. The Committee is comprised of independent experts who make recommendations to us on the economic, social and environmental impacts of our activities.

As a Committee we have varied expertise in governance, civil society and social capital, crime prevention, climate change, rural and regional concerns, corporate social responsibility and business and a common commitment to transparency and multi-stakeholder engagement. Accordingly, we are supportive of corporations that invite independent guidance to address challenging issues to improve their performance. We have agreed to serve on this Committee to:

- advise IAG on economic, social, environmental and cultural issues to influence sustainable development strategy and performance;
- challenge IAG to address difficult issues; and
- provide advice and counsel on the content of the IAG Sustainability Report.

In this statement, we comment on our role as a Committee since our inaugural meeting in February 2006 and provide our opinion on IAG's sustainability report. During the first six months, we have met twice and have had additional input outside of these meetings. In the course of these meetings we have agreed terms of reference (see www.iag.com.au); discussed with IAG's Executive the Group's approach to sustainability and the issues which impact the business; and advised on improvements which we believe might be made to the sustainability report this year and in future years. One of our early tasks is to understand the means by which the company's key performance indicators are determined and the numbers behind them interpreted.

We thank IAG's Executive members for informing and openly engaging with the Advisory Committee in relation to strategy, stakeholder engagement, risks, opportunities and reporting. Our meetings have been conducted with respect for differing opinions, frankness and constructive criticism.

REPORT ASSESSMENT

Highlights

While the report seeks to address the concerns of all of IAG's stakeholders, we support the choice of employees as the focal point for this year's report. The Committee considers the reporting highlights to include the Group's:

- immediate and ongoing support for communities devastated by natural disasters;
- advocacy in the business community for action to address climate change with policies and the development of climate models to inform this;
- innovative product development to enable customers to reduce their environmental impact e.g. Climate Help online product to allow people to offset their emissions, and the risk radars for farms and offices;
- learning through its experience with Care & Repair that IAG can have a major impact on the livelihood of their suppliers and responding to the responsibility which this places on them;

- decision to develop a code of ethics to address issues which may result from expansion into Asia and IAG's five year plan to generate 40% of its premium offshore;
- approach to research and testing to develop new and safer products for homes and roads; and
- commitment to improving the work-life balance of its employees.

Challenges

We will challenge and work with the Executive to develop stronger frameworks and/or commitments to:

- further address stakeholder concerns (using existing research and databases) through developing a suite of innovative insurance products that create financial and other incentives for customers to reduce their environmental impacts;
- develop a global strategy around supply chain and sustainability that initially is building on recent experience managing supplier relationships in Asia;
- investigate the qualitative and quantitative information behind the key performance indicators to better understand, for example, employee satisfaction;
- investigate further linking of sustainability targets to individual and group outcomes eg. consider ways in which staff can be motivated to support IAG's sustainability goals;
- further improve IAG's employees' understanding and appreciation of the company's values and purpose so that they can better integrate them in their day-to-day work. To the extent possible report the expected beneficial impacts on staff retention;
- develop a policy around investment which addresses where the company will or will not invest;
- take demonstrable actions to make insurance affordable;
- reduce the level of non-insurance or under insurance, which are likely to be exacerbated by climate change impacts and other issues; and
- develop ways in which supply chains and procurement policy can be used to achieve improved outcomes.

We value the opportunity to collaborate on this report and with IAG's Executive on this Advisory Committee and recommend the process to other corporations.

Submitted by
IAG's Expert Community Advisory Committee

Yvonne Grant, Chair
Simon Divecha
Professor Peter Grabosky
Lyn Mayes
Professor Sharon Moore
Warren Mundine
Professor Hayden Raysmith

KEY INDICATORS

ECONOMIC INDICATORS GROUP-WIDE

	RESULTS 04/05	RESULTS 05/06
Gross written premium The total amount we received from customers for the payment of their insurance policies.	\$6,673m*	\$6,435m
Net earned premium The portion of premiums written which relate to the financial year, minus the reinsurance expense.	\$6,144m*	\$6,132m
Net claims expense The amount paid out in claims during the year, as well as an estimate of how much we need to pay on unsettled claims, plus claims handling costs such as legal and administrative expenses, less recoveries from reinsurers and other parties.	\$4,090m*	\$3,900m
Return on equity Net profit attributable to our ordinary shareholders as a percentage of the average equity of those shareholders.	23.1%	22.1%

*The Group was required to adopt Australian equivalents of International Financial Reporting Standards (AIFRS) when preparing its financial report for the year ended 30 June 2006. For comparative purposes, results for the 2005 financial year have also been restated under AIFRS.

SOCIAL INDICATORS AUSTRALIA

CUSTOMER	RESULTS 03/04	RESULTS 04/05	RESULTS 05/06
Business Volume	11.8m	11.9m	11.6m
Number of level 2 and level 3 customer complaints	7,789	7,002	6,098
Customer satisfaction levels	80%	81%	80%

COMMUNITY

Contribution to Gross Domestic Product	0.75%	0.74%	0.67%
Funds for community investment	\$18,225,926	\$12,347,281	\$14,397,629
Funds for community investment as a percentage of group net profit attributable to shareholders	2.3%	1.6%	1.9%

*The Group was required to adopt Australian equivalents of International Financial Reporting Standards (AIFRS) when preparing its financial reports for the year ended 30 June 2006. For comparative purposes, results for the 2005 financial year have also been restated under AIFRS.

Employee volunteering hours	300	5,629	7,771
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WORKPLACE

Headcount	10,256	9,856	10,086
Full time versus part time employees	86% 14% <i>Full time</i> <i>Part time</i>	85% 15%	84% 16%
Staff turnover rate	20.5%	19.5%	20.6%
Male to female salary ratio	\$1.42 \$1.00	\$1.42 \$1.00	\$1.37 \$1.00
Women in senior management positions	30%	29%	32%
Women in Executive positions	15%	11%	27%
Women on the Board of Directors	25%	20%	13%
Number of Indigenous employees	-	23	35
Lost time injury frequency rate	6.7	5.3	4.9
Number of staff trained in first aid	784	1,858	1,784
Number of fire wardens	421	536	442
Funding of OH&S department	\$1,376,949	\$1,985,187	\$2,125,540
Absenteeism	3.25%	3.54%	3.54%
Engagement survey response	88%	86%	76%
Employee engagement score	53%	54%	56%

IAG population ages 25-34 (inclusive), compared to the Australian labour force of the same group

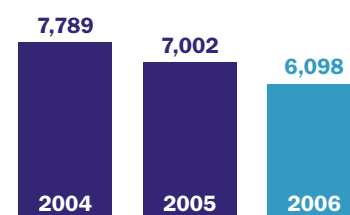
IAG
Australian labour force
38.89%
22.34%*

*Australian labour force figures supplied by the Australian Bureau of Statistics

ENVIRONMENTAL INDICATORS AUSTRALIA

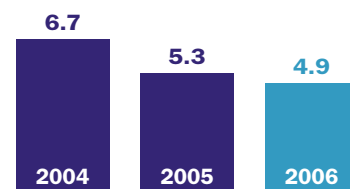
Electricity use (Note: 05/06 result reflects the period May 05 to June 06)	5MWh/FTE	5MWh/FTE	5MWh/FTE
Office paper use	49kg/FTE	49kg/FTE	41kg/FTE
Print paper use	0.18kgs/ business volume	0.23kgs/ business volume	0.15kgs/ business volume
Recycled commingled waste collected	195 tonnes	232 tonnes	302 tonnes
Fuel consumption	3.3kl/vehicle	3.5kl/vehicle	3.3kl/vehicle
Air travel	2,378kms/FTE	3,467kms/FTE	3,554kms/FTE
CO ₂ per FTE	6.7 tonnes/FTE	8.4 tonnes/FTE	7.9 tonnes/FTE

-22%



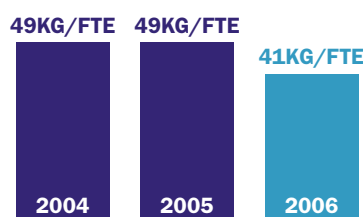
AUSTRALIAN NUMBER OF LEVEL 2 & LEVEL 3 CUSTOMER COMPLAINTS

-27%



AUSTRALIAN LOST TIME INJURY FREQUENCY RATE

-16%

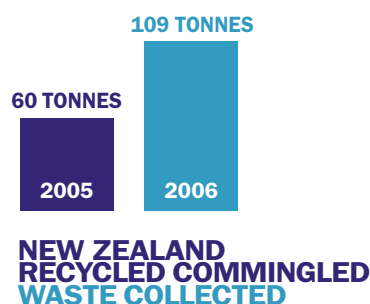


AUSTRALIAN OFFICE PAPER USE

+2490%



+82%



+4%



SOCIAL INDICATORS AUSTRALIA & NEW ZEALAND (CONSOLIDATED)

	RESULTS 04/05	RESULTS 05/06
AUSTRALIA/NEW ZEALAND CUSTOMER		
Business volume	14.2 million	13.9 million
AUSTRALIA/NEW ZEALAND COMMUNITY		
Funds for community investment (\$A)	\$14,580,406	\$17,163,150
Employee volunteering hours	-	9,665
AUSTRALIA/NEW ZEALAND WORKPLACE		
Headcount	11,830	12,122
Full time versus part time employees	Full time - Part time -	85% 15%
Number of staff trained in first aid	2280	2178
Number of fire wardens	-	546
Funding of OH&S departments (\$A)	-	\$2,623,840

ENVIRONMENTAL INDICATORS AUSTRALIA & NEW ZEALAND (CONSOLIDATED)

Electricity use (Note: 05/06 result reflects the period May 05 to June 06)	-	4.6MWh/FTE
Office paper use	-	40kg/FTE
Print paper use	-	0.13kgs/business volume
Recycled commingled waste collected	292 tonnes	411 tonnes
Fuel consumption	-	3.1kl/vehicle
Air travel	3,324/FTE	3,484/FTE
CO ₂ per FTE	7.2 tonnes/FTE	6.8 tonnes/FTE

SOCIAL INDICATORS NEW ZEALAND

CUSTOMER		RESULTS 04/05	RESULTS 05/06
New Zealand business volume		-	2.3m
New Zealand sales and service satisfaction		88%	88%
New Zealand claims satisfaction		86%	88%
COMMUNITY			
Contribution to Gross Domestic Product		0.63%	0.62%
Funds for community investment (\$NZ)		\$2,500,000	\$3,096,021
Employee volunteering hours		-	1,894
WORKPLACE			
Headcount		1,974	2,036
Full time versus part time employees		Full time 93% Part time 7%	91% 9%
Staff turnover rate		19%	23.3%
Male to female salary ratio (\$NZ)		\$1.31 \$1.00	\$1.30 \$1.00
Women in senior management positions		20%	19%
Number of workplace accidents		12	31
Number of staff trained in first aid		422	394
Number of fire wardens		58	104
Funding of OH&S department (\$NZ)		-	\$557,851
Absenteeism		3.89%	4.18%
Engagement survey response		91%	87%
Employee engagement score		50%	54%

ENVIRONMENTAL INDICATORS NEW ZEALAND

Electricity use (Note: 05/06 result reflects the period May 05 to June 06)	2.7MWh/FTE	2.7MWh/FTE
Office paper use	37kg/FTE	32kg/FTE
Print paper use	-	0.08kgs/business volume
Recycled commingled waste collected	60 tonnes	109 tonnes
Fuel consumption	1.9kl/vehicle	1.9kl/vehicle
Air travel	2,624kms/FTE	3,155kms/FTE
CO ₂ per FTE	1.7 tonnes/FTE	1.6 tonnes/FTE


All economic indicators represent the performance of the Group. All other indicators represent Australian operations and New Zealand operations, as indicated. Where comparability is possible, figures have been collated to produce aggregate indicators of Australian and New Zealand performance.

Pages 12 & 13 are covered by KPMG's assurance statement, with the exception of the sections titled 'Social indicators Australia & New Zealand (consolidated)' and 'Environmental indicators Australia & New Zealand (consolidated)'

Definitions of these indicators, a GRI index and commentary on our performance can be found in the full online report at www.iag.com.au

HELPING OUR CUSTOMERS CONTROL THE WEATHER

CASE STUDY

A black and white photograph of a hand holding a stream of water, with water droplets falling. The background is a blurred landscape, possibly a field or beach. The image is used as a visual metaphor for controlling the weather.

Climate is core business at IAG. Nineteen of the 20 largest insurance events in Australia's history have been weather-related. Globally, five out of the 10 largest-ever insurance losses have occurred in the last two years. A warmer climate is expected to increase weather-related incidents and therefore claims, so it makes sense that IAG is focused on doing whatever it can to reduce the risk of climate change.

Four people in IAG decided that they would do just that. Paul Goldsmith, Business Development & Release Manager; Elida Touma, Brand & Community Marketing Manager; Pauline Gregg, Senior Manager, Sustainable Business Practices; and Phil Woods, Sustainability Research Manager, put their heads together and developed a product called Climate Help.

Climate Help is an online tool that customers can use to offset the greenhouse emissions associated with using their car. It's quick and easy to use and is an inexpensive way for customers and employees to mitigate their environmental damage.

"We use 100% of the money to purchase carbon credits," says Phil.

"The carbon credits are a guarantee, backed by NSW Government legislation, that an amount of carbon is being locked away in forests for 100 years."

"We insure more cars than anyone else in NSW alone, so we thought it would be a good place to start."

Climate Help is a first step towards developing sustainable motor products, and provides customers and employees with a means to act now to reduce the risk of future climate change.

The Climate Help website provides the facts about climate change, and shows that offsetting our emissions is only part of the solution. Reducing our emissions is also key, by doing things like choosing a more fuel efficient car and selecting other forms of transport.

For more information see the Climate Help website (www.climatehelp.com.au).

FIRST TO ARRIVE, LAST TO LEAVE

CASE STUDY

On 20 March, 2006, Cyclone Larry, a category four cyclone, hit Far North Queensland, devastating the town of Innisfail and surrounding communities.

"It was beyond anything I'd ever seen in my 51 years working for NRMA Insurance," says Neville Pike, Assessing Consultant, who was among the first to volunteer to help the stricken community.

"We couldn't believe what we saw. There was no power, no phones, debris on every street."

Neville and his fellow support team quickly set up two caravans to operate as on-site offices in Innisfail and the surrounding areas. More than 2,200 people visited the caravans to lodge claims and get help – such as food vouchers for basic needs, electronic transfers of \$5,000 claims advances, access to satellite phones, and tarpaulins.

"There were so many stories of our people helping the community," says Neville. "One of the events that stands out for me was when one of our assessors came back after confirming one of our customer's houses was a write-off. It was the customer's 40th birthday, and he was devastated by the loss of his home. The assessor asked if there was anything we could do."

"I got a \$300 voucher and went over to the customer's house. He was having a birthday party on his verandah as it was the only part of the house that had any cover from the pouring rain. He had no roof! I presented him with the gift certificate and wished him a happy birthday. He was so taken aback and really touched, and it made me feel like we were making a difference."

As the emergency response abated, it was clear many customers – and indeed the whole community – had questions about the next steps in the recovery process. NRMA Insurance and CGU went on to fund and coordinate a free community Help Expo two months after the cyclone. The Expo helped equip our customers and the wider community with the right advice on rebuilding their homes and lives.

Attended by more than 700 Innisfail residents, the Help Expo provided information on issues such as rebuilding, planning, demolition, legal matters, taxation, financial planning and trauma counselling.

"We were in Innisfail long before anyone else, and we are still there," says Neville. "We have always been first in and last to leave, whether it was the Sydney hailstorms in 1999 or the Canberra bushfires in 2003. I feel incredibly proud to be part of IAG."

HELPING OUR CUSTOMERS STAY SAFE

CASE STUDY

We're here to pay our customers' claims. We're also here to help reduce the chance of claims happening at all, which is where Chambodin Boonyinthu comes into the picture.

Chambodin works in our risk management team in Thailand under the NZI brand. Recently, NZI Thailand was approached by Big C Supercenters to help them with their risk management approach.

"We were very happy that Big C Supercenters came to us for help, because risk management is what we do best!" Chambodin explains.

"Our risk management team is made up of experts in the area.

We approached the Big C job with a great deal of excitement as they are one of the leading stores in the country," said Chambodin.

"We analysed our claims data to work out what their biggest risks were, and then applied what we know about reducing risk to their business."

After applying a risk analysis and assessment to Big C, NZI Risk Management Services prioritised the risks and implemented a risk management system.

Working with all 54 branches of Big C – as well as the two distribution warehouses – NZI Thailand was able to coach and train Big C staff in how to identify and reduce risk in the workplace.

Consistent safety standards and procedures have now been implemented in all branches. In addition, significant improvements have been made to the fire safety procedures, and the new fire protection system now complies with the National Fire Protection Standard. Risk management has been standardised by Big C, and NZI Thailand is hoping to see some significant improvements in the safety performance of this key client.

CUSTOMER FOCUS MAKES THE WESTERN AUSTRALIAN CALL CENTRE A WINNER

CASE STUDY



Sandy Taseff, Assistant Call Centre Manager at the WA call centre, loves her job. And that's a good thing, given she and her team answer around 5,500 calls from SGIO customers every day.

This year their customer focus was recognised when they were awarded the Australian Service Excellence Award for WA, based on their ability to display a commitment to customer service leadership via people, processes and leadership routines.

Sandy confirms that the customer is at the centre of everything they do.

"We are constantly talking with our team about how we can see things from the customer's perspective. Our team leaders are responsible for coaching and developing their employees so they are always improving the way they help our customers," says Sandy.

"And we give every single person on the team the autonomy to help improve our service."

For example, service consultants Jessica Shynn and Kristy Sutton came up with the idea to give all consultants access to customers' pay-by-the-month histories. Simple enquiries can now be dealt with by the consultants without being escalated. This effectively removes one step from the process and ensures customers receive a much better and efficient service. This change was rolled out across the call centre network after being successfully trialed in WA.

In general, call centres are renowned for high levels of turnover. In WA, the management team has adopted several successful strategies to reduce attrition.

"We're targeting more mature people – over 45s," says Sandy. "They've already done a lot of their 'life stuff' so they tend to be more loyal – they just want to work for a good company."

She also dispels the myths that flexible options and career opportunities are limited in call centres.

"We recruited an evening team – the Nocturnals – on the basis that they can work two days, they can work five days, they can work as few days a week as they like...and they can get stuff done in the morning and work with us in the evenings."

"In terms of development and career opportunities, we've introduced a new service certificate. One hundred of our consultants are about to graduate. And we've introduced senior consultant positions to recognise those people who are good role models, who are living the values."

"I started 19 years ago with SGIO and I still love coming to work every day. This isn't just a job, it's about making a difference for customers."

IAG NEW ZEALAND WELCOMED ON CAMPUS

CASE STUDY



Every year Georgiana Gray slips on her casual clothes and heads to university campuses to promote IAG New Zealand, which distributes products under the State and NZI brands.

As part of orientation week at seven New Zealand universities, the company installs a stand that is made to look like a student flat so students are encouraged to insure their belongings.

"It's a great campaign, and we always get a lot of attention from the students," says Georgiana. "We try and dress like uni students so that we're approachable to them."

IAG New Zealand has been looking to reduce the under and non-insurance of tertiary students through its State-branded 'Insure Your Stuff' campaign.

Students often don't realise the value of their possessions, and therefore don't think they are worth insuring. The aim of the campaign is to demonstrate how much things can be worth and show the value of getting insurance cover.

"Most students are pleased to see that there's an affordable insurance product out there to protect their stuff," says Georgiana.

The key line of the campaign is 'Insure your stuff, it's worth more than you think'. Students have the opportunity to talk to State staff about the importance of building a relationship and a personal claims history with an insurance company – especially those under 25 looking to buy their first car. In fact, State is the only insurance company that presents at the universities' orientation weeks.

Following the campaign, sales increased by 39% in comparison with last year. The campaign helped build a young customer base and minimise the risk of under- and non-insurance to this group.

"It's a great campaign and I love speaking with the students. It's also a bit of fun to get involved in O-week, and show that we're not the straight-laced insurers that people think we are!" jokes Georgiana.

ASSURANCE STATEMENT

INDEPENDENT REVIEW REPORT TO IAG ON ITS CONCISE SUSTAINABILITY REPORT 2006

INTRODUCTION

We have been engaged by IAG to review selected sustainability performance data (the Performance Data) for the year ended 30 June 2006, as reported in the section titled "Key Indicators" on pages 12 and 13 of the IAG Concise Sustainability Report 2006 (the Concise Report).

SCOPE

The IAG Sustainability reporting and management responsibilities

The management of IAG are responsible for the preparation of the Concise Report and the information and assessments contained within it, for determining IAG's objectives in relation to sustainability performance, and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. Management's assertions about the effectiveness of the performance management and internal control systems are included in a separate letter we have received from management.

Review approach

We have conducted an independent review of the Performance Data set out on pages 12 and 13 of the Concise Report for the year ended 30 June 2006, for IAG's Group operations in Australia and New Zealand. The consolidated data titled "Social indicators Australia & New Zealand (consolidated)" and "Environmental indicators Australia & New Zealand (consolidated)" were not included in our review.

There are no mandatory requirements for the preparation, publication or review of sustainability performance data. IAG applies its own internal reporting guidelines for sustainability reporting ("the Criteria"), a concise version of which can be found in the Glossary in the full IAG Sustainability Report 2006 on IAG's website at www.iag.com.au. The selection and suitability of the Criteria is the responsibility of management and our review did not include an assessment of the adequacy of the Criteria. Further, the internal control structure which management has established and from which the Performance Data has been derived, has not been reviewed and no opinion is expressed as to its effectiveness.

Our review was conducted in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board, and with Australian Auditing Standards AUS 108 "Assurance Engagements" and AUS 902 "Review of Financial Reports". A review is limited primarily to inquiries of company personnel and other procedures applied to the compilation and presentation of the quantitative data. A review does not provide all evidence that would be required in an audit thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

We performed procedures in order to obtain all the information and explanations that we considered necessary to provide sufficient evidence for us to state whether anything has come to our attention that would indicate the Performance Data has not been presented fairly in accordance with the Criteria established by management.

INDEPENDENCE

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

STATEMENT

Based on our review, which is not an audit, nothing came to our attention to indicate that the Performance Data set out on pages 12 and 13 of the Concise Report for the year ended 30 June 2006 has not been presented fairly in accordance with the Criteria established by management.



KPMG



Dr Andries B Terblanché
Partner

Sydney, 25 October 2006



If you have any suggestions or questions about sustainability at IAG, please contact us at: sustainability@iag.com.au



Printed on Australian-made paper stock, Plantation. Plantation is an environmentally responsible paper, manufactured under Environmental Management System ISO 14001. It contains 100% recycled fibre, including 85% recycled paper waste (a combination of post and pre-consumer waste) and 15% cotton fibre, and the process is chlorine free.

